

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Pennsylvania Public Utility Commission
v.
UGI Utilities, Inc.

Public Meeting held January 24, 2013
2308997-OSA
C-2012-2308997

STATEMENT OF COMMISSIONER WAYNE E. GARDNER

Over the course of my almost 5-year tenure on the Commission, I have expressed my views on the operation of the UGI companies on numerous occasions.¹ In fact, one of the first Motions I sponsored, was to double the fine settled upon between the Law Bureau Prosecutory Staff and UGI Utilities regarding the 2006 Allentown explosion which destroyed four homes and injured one person.² Today, the Commission must once again consider a Settlement involving UGI Utilities. Unlike the 2006 incident, this incident had catastrophic consequences in that it took five lives in addition to destroying and damaging homes.

As I noted in my statement regarding the UGI companies last management audit, UGI has no excuse for not making the replacement of at risk pipe its number one priority. The UGI companies have every tool available to a natural gas distribution company that needs to replace aged or unreliable pipelines:

- The companies earn very healthy returns on equity
- The companies have healthy balance sheets
- The companies have a regulatory commission that wants the at risk pipes fixed
- The companies have the opportunity to file for approval of a DSIC to allay cost

While I agree that the Settlement, as modified today, is in the public interest because it accelerates the replacement schedule for UGI's cast iron pipelines, I do not agree with the Settlement provision that UGI will not utilize the distribution system improvement charge (DSIC) for two years. The Legislature gave our utilities the distribution system improvement surcharge to use as a tool to repair and replace aging and failing infrastructure. If the benefits of the DSIC were used during the next 2 years, the UGI companies might be able to further shorten

¹ I authored motions rejecting the proposed settlements filed in: *PUC v. UGI Central Penn Gas*, M-2011-2155312, (June 13, 2012) (alleged failure to mark lines resulting in a 3rd party line strike) and *PUC v. UGI Utilities, Inc.*, M-2012-2141712 (June 13, 2012) (alleged unsafe work processes related to a line hit). I have also voiced opposition with regard to the UGI Companies' security certificate filings because my review of their financials led me to believe that the companies were earning a substantial return and paying overly generous dividends to shareholders, while not investing in its plant sufficiently. Securities Certificate Filings of UGI Penn Natural Gas, S-2011-2258334, UGI Utilities Inc., S-2011-2258347, and UGI Central Penn Gas, Inc., S-2011-2258221.

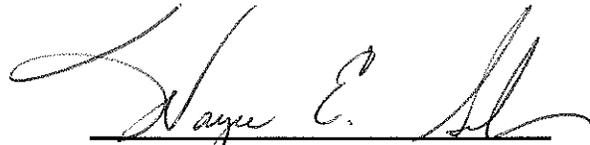
² *PUC v. UGI Utilities, Inc.*, M-2009-2031571 (January 14, 2010).

the agreed upon 14 year replacement schedule. Also, because one of the conditions for using a DSIC is that the utility must have filed a recent base rate case, it bears emphasizing that UGI Utilities Inc. has not filed a base rate case since 1995. The company is overdue to say the least. It is not possible for this Commission to comprehensively review how the company's earnings and operations match up until a base rate case is filed.

I also wish to note that there has been a recent change in management of UGI Utilities, Inc. Bob Beard is now the President and CEO. Mr. Beard has committed to instilling a culture of safety at these three utilities. I have confidence that with shareholder cooperation, Mr. Beard has the skills to achieve that goal.

January 24, 2013

Date

A handwritten signature in cursive script, appearing to read "Wayne E. Gardner", written over a horizontal line.

Wayne E. Gardner, Commissioner